

THE FINANCIAL CONNECTION

NEWS FROM THE FINANCIAL MANAGEMENT SERVICE
A BUREAU OF THE U.S. DEPARTMENT OF THE TREASURY

Inside FMS Financial Operations: Check Claims, Judgment Fund, Surety Bonds and More

BY WANDA ROGERS

Assistant Commissioner, Financial Operations

Financial Operations (FO) is one of seven major subdivisions of the **Financial Management Service (FMS)**. FO's mission is to support the financial infrastructure for federal payments, claims and accounting.

FO is one of the most diverse organizations within FMS. Major responsibilities include check claims processing, judgment fund payment certification, administering the federal corporate surety bond program, and accounting for the Treasury Managed and International Assistance Program accounts.

Check Claims

Over 1.5 million check claims are submitted for processing and more than 250 million checks are reconciled annually. The new Treasury Check Information System (TCIS) supports the check claims process and plays a critical role in the governmentwide financial management mission of FMS. TCIS replaces the old Check Payment and Reconciliation System

(CP&R) and serves as the check register for the more than 250 million U.S. Treasury check payments issued worldwide each year by FMS on behalf of federal agencies as well as offices with legislative or delegated disbursing authority. TCIS reconciles check payments and processes claims of non-receipt submitted on behalf of payees.

Treasury Managed and International Assistance Program Accounts

FMS performs both proprietary and budgetary accounting and reporting for the Treasury Managed Accounts (TMA) and the International Assistance Program (IAP) accounts. FMS has custodial responsibility for approximately 90 TMAs and provides accounting services for about 40 IAP accounts. TMAs comprise a variety of account types. Some of the more notable accounts include the Federal Payment to the D.C. Water and Sewer Authority, Unclaimed Moneys, the Conscience Fund and the Federal Election Campaign Fund.

Judgment Fund

Established in 1956, the Judgment Fund,

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Wanda Rogers is the assistant commissioner for the Financial Management Service's Financial Operations subdivision.

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GETTING WHAT'S DUE: The Debt Collection Process

BY GERALD ISENBERG

Since the passage of the Debt Collection Improvement Act (DCIA) of 1996, the **Financial Management Service's** (FMS), Debt Management Services business line has conducted disbursing official offsets to collect delinquent debts. The program is known as the Treasury Offset Program, or TOP.

Over the years, TOP has grown into a highly effective debt collection program that encompasses both offsets and continuous levies. In fiscal year (FY) 2005 alone, TOP collections totaled \$3.1 billion; from DCIA's enactment in April 1996 through the end of FY05, collections totaled \$23.8 billion.

Offset Process

In TOP's offset portion, federal payments are reduced or "offset" to satisfy an overdue debt. TOP includes a database of delinquent debtors who owe federal nontax debts, child support obligations or state income tax debts. A payee's name and taxpayer identification number (TIN) are matched against federal payment authorizations, which results in the automated offset of funds. Offset funds are then used to satisfy the delinquent debt, to the extent allowed by law.

Payment types that are subject to offset include **Office of Personnel Management** (OPM) retirement payments, **Internal Revenue Service** (IRS) tax refund payments; vendor/miscellaneous payments, including vendor payments disbursed by the **Department of Defense** (DOD); federal employee travel payments; federal salary payments; and **Social Security** and **Railroad Retirement** benefit payments.

The process was implemented in partnership with U.S. **Department of Agriculture's** National Finance Center, the **Department of the Interior**, the U.S. **Postal Service** and DOD's Defense Finance and Accounting Service. In FY05, FMS completed the implementation of salary offset with the **General Services Administration** (GSA), the

last of the four payroll providers selected as part of the federal government's E-Payroll initiative.

In January 2000, FMS began collecting state income tax debts by offsetting federal income tax refunds, as authorized by the 1998 IRS Restructuring and Reform Act. In FY05, 37 states and territories and the District of Columbia participated in this process. FMS has collected over \$900 million for states since the program began.

Tax Levy Program

TOP also includes the collection of delinquent federal taxes under the levy program. In July 2000, FMS and IRS initiated the Continuous Tax Levy program whereby delinquent federal income tax debts are collected by levying nontax payments, as authorized by the Taxpayer Relief Act of 1997. The process for Continuous Tax Levy is almost

identical to that for offset, which matches delinquent debtor data with payment record data. Continuous Tax Levy includes levy of vendor, federal employee salary, OPM retirement, and Social Security benefit payments.

Part of TOP's success is due to the fact that it is easy for creditor agencies to participate. By the end of FY05, the TOP delinquent debtor database, which includes delinquent tax and nontax debts as well as child support obligations, exceeded \$225 billion.

Though TOP is very successful, FMS and its partners continue to seek improvements. FMS is working on incorporating more payments into the automated offset process, including payments made through the Fedwire payment system, and those made in the Corporate Trade Exchange (CTX) format. FMS also is working with the GSA, DOD and the IRS to incorporate payments currently being made to vendors through the use of government purchase cards.

For more information about the TOP program, please visit www.fms.treas.gov/debt, or call Dean Balamaci, director of the Debt Program Division, at (202) 874-0540.

DEBT COLLECTION

GOOD-BYE, SF215: Automated OTC Deposit Reporting Solution Celebrates First Year

BY BRIAN HOLLIS

TGAnet, the **Department of the Treasury's** solution to automate over-the-counter (OTC) deposit reporting, celebrated its first anniversary on March 26. With more than 1,000 successful deployments nationwide, the final bell is tolling for the multipart SF215. FMS will be working with more federal agencies, converting them to TGAnet as part of the holistic approach to improve OTC collection cash management practices.

A Nod to Early Adopters


TGAnet owes its success thus far to the commitment of early adopting agencies and financial institutions: the


**National Park Service (NPS),
Citizenship and
Immigration
Services (CIS),**

Immigration and Customs Enforcement (ICE), Customs and Border Protection (CBP), U.S. Patent and Trademark Office (PTO), Bank of America, Wachovia Bank, and U.S. Bank. Representatives from these organizations collaborated with the **Financial Management Service (FMS)** and the **Federal Reserve Bank (FRB)** of St. Louis throughout the development process to define business requirements and recommend improvements to the SF215 process. Thanks to this early involvement of agencies with large numbers and dollar volumes of payments, TGAnet's features satisfy the requirements for virtually all cashflows in the \$40 billion per year OTC channel.


Major Accomplishments


Significant accomplishments so far include:

 **Adding the entire FRB system.** Implementation at all FRB districts and branch offices that accept OTC deposits from agencies expanded the reach of TGAnet to the entire country, including NPS locations in remote areas.

 **Enabling financial institutions to confirm and adjust deposits via an automated system-to-system interface.** "We estimate that we are saving two to three hours

daily (in each of our two processing sites) with the elimination of paper voucher sorting and filing," said Beth Ewing, VP Relationship Manager at Bank of America. "The interface to Bank of America's proprietary internal reconciliation system also provides huge benefits. ... Discrepancies are immediately apparent and easily resolved, and we have completely eliminated the need to hand-key data from vouchers."

 **Refreshing agency accounting systems.** Anticipating the advent of a report that details daily fund balances with Treasury, TGAnet provides agencies a standard extract file of daily OTC business to update their internal account systems.

 **Empowering agencies to adapt to local business needs.** Local business conditions vary across the OTC universe. For example, a financial institution branch may require agency depositing customers to enumerate denominations of currency. Or, an agency may rely on contract or seasonal employees to prepare deposit reports, but still require an agency employee to approve the deposit reports before they are sent to the financial institution and the Treasury. Or, an agency may need to collect additional information about its OTC collections without deploying a costly, redundant reporting system. Limited customization of role-based business workflows and the use of User Defined Fields empower the agency to adapt to local variations of business needs.

Coming Up

FMS and FRB St. Louis have engaged both the **Internal Revenue Service (IRS)** and the **Defense Finance and Accounting Service (DFAS)** and are planning TGAnet introductions for fiscal year 2007 in anticipation of full implementations soon thereafter. As you will hear soon at a regional meeting near you or from one of our conversion teams, TGAnet still has the capability to work with you to transform your agency's SF215 reporting process.

Agencies updating or planning to update their OTC deposit reporting processes should contact Don Clark, TGAnet project manager, (202) 874-7092 or visit www.fms.treas.gov/tganet.

Financial Operations

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a permanent, indefinite appropriation, is available for the payment of money judgments and awards against the United States that are not otherwise provided for in existing appropriations or funds.

FO's responsibility is to determine the proper source of funds to ensure the judgment fund is not being used for obligations which the agencies should be paying for out of their direct appropriations. Last fiscal year, almost 8,000 payments totaling over \$1 billion were made out of the fund.

Surety Bonds

Responsibility of administering the federal corporate surety bond program is unique not only to the U.S. federal government, but worldwide. After an extensive review of insurance companies' legal and financial documents, authority is granted to

MARK YOUR CALENDAR!

FMS's 16th Annual Government Financial Management Conference will be Aug. 8-10 at the Ronald Reagan Building & International Trade Center in Washington, D.C. For more information, please visit fms.treas.gov/tas/conference/annconf.html.

qualified companies to write surety bonds that protect the federal government from financial loss on contracts.

The government's protection through surety bonds is estimated to be over a billion dollars. In addition, many states accept only FMS-approved surety companies to protect their contracts. Last year, over 250 insurance companies were approved to write federal surety bonds. As required by law, approved sureties are published annually in Treasury Circular 570.

For more information about programs listed in this article, please visit www.fms.treas.gov.

UPCOMING EVENTS

For more about FMS events, see www.fms.treas.gov/calendar.html.

May 23-24: San Francisco Financial Center (SFC) Agency Forum, Denver, Colo.

June 7-8: Kansas City Financial Center (KFC) Customer Advisory Board Meeting, Atlanta, Ga.

July 11: Philadelphia Financial Center (PFC) Customer Advisory Board Meeting, Washington, D.C.

July 13: Automated Standard Application for Payments (ASAP) Federal Program Agency User Group Meeting, Silver Spring, Md.

Aug. 2-3: Austin Regional Financial Center (AFC) Agency Awareness Forum, Atlanta, Ga.

Aug. 15-16: AFC Agency Awareness Forum, Dallas, Texas.

Aug. 23-24: SFC Customer Advisory Board Meeting, Denver, Colo.

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